

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Carsonville</b>	County <b>Sanilac</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>7/25/05</b>	Date Accountant Report Submitted to State: <b>8/31/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

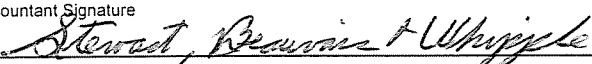
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations. <b>Internal Control Letter</b>	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Stewart, Beauvais &amp; Whipple PC</b>			
Street Address <b>1979 Holland Avenue</b>	City <b>Port Huron</b>	State <b>MI</b>	ZIP <b>48060</b>
Accountant Signature 		Date <b>8/31/05</b>	

**VILLAGE OF CARSONVILLE**  
Sanilac County, Michigan

**ANNUAL FINANCIAL REPORT  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
FEBRUARY 28, 2005**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



**VILLAGE OF CARSONVILLE**  
**Sanilac County, Michigan**

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**VILLAGE OF CARSONVILLE**  
**Sanilac County, Michigan**

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## INDEPENDENT AUDITOR'S REPORT

To the President and  
Members of the Village Council  
Village of Carsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Village of Carsonville, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Carsonville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 8 to the basic financial statements, the Village adopted Governmental Accounting Statement Board Statement No. 34 and related statements as of and for the year ended February 28, 2005. This resulted in a change in the Village's basic financial statement format and content.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carsonville, Michigan, as of February 28, 2005, and the respective changes in financial position and the cash flows of its proprietary fund type for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report, dated July 25, 2005, on our consideration of the Village of Carsonville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards**, and should be considered in assessing the results of our audit.

The schedules of budgetary comparisons on pages 29 through 32 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Carsonville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statement.

A handwritten signature in cursive script, reading "Stewart, Beaumont Whipple".

Certified Public Accountants

July 25, 2005

## **BASIC FINANCIAL STATEMENTS**

# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF NET ASSETS FEBRUARY 28, 2005

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 219,163	\$ 128,114	\$ 347,277
Receivables	1,750	67,445	69,195
Due from other governmental units	19,536	-	19,536
Internal balances	( 440)	440	-
Restricted Assets -			
Cash and cash equivalents	-	313,763	313,763
Special assessments	-	1,166,912	1,166,912
Tap-in fees receivable	-	41,297	41,297
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	96,875	-	96,875
Assets being depreciated	639,264	3,876,309	4,515,573
Total Assets	<u>976,148</u>	<u>5,594,280</u>	<u>6,570,428</u>
<b>LIABILITIES:</b>			
Payables and accrued liabilities	7,144	22,134	29,278
Accrued expenses	3,317	29,891	33,208
Non-current liabilities			
Due within one year	23,301	43,000	66,301
Due in more than one year	118,610	2,361,895	2,480,505
Total Liabilities	<u>152,372</u>	<u>2,456,920</u>	<u>2,609,292</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	594,228	1,471,414	2,065,642
Net Assets			
Restricted -			
Acquisition and construction of capital assets	10,185	-	10,185
Unrestricted	<u>219,363</u>	<u>1,665,946</u>	<u>1,885,309</u>
Total Net Assets	<u>\$ 823,776</u>	<u>\$ 3,137,360</u>	<u>\$ 3,961,136</u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED FEBRUARY 28, 2005

Functions/Programs	Expenses	Program Revenues		
		Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 78,628	\$ 21,673	\$ -	\$ -
Public Safety	84,727	10,356	-	24,600
Public Works	111,158	2,465	65,928	-
Interest on Long Term Debt	4,735	-	-	-
Total governmental activities	<u>279,248</u>	<u>34,494</u>	<u>65,928</u>	<u>24,600</u>
Business type activities:				
Water	71,952	66,852	-	33,599
Refuse Services	39,924	31,382	-	-
Sewage Collection System	87,126	30,980	-	57,263
Interest on Long Term Debt	92,722	-	-	-
Total business type activities	<u>291,724</u>	<u>129,214</u>	<u>-</u>	<u>90,862</u>
Total Primary Government	<u>570,972</u>	<u>163,708</u>	<u>65,928</u>	<u>115,462</u>
General revenues:				
Taxes				
Property taxes levied for general purposes				
Property taxes levied for streets				
Grants and contribution not				
restricted to specific programs				
Unrestricted investment income				
Gain on sale of fixed assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
Prior period adjustments				
Net assets at beginning of year restated				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$( 56,955)	\$ -	\$( 56,955)
( 49,771)	-	( 49,771)
( 42,765)	-	( 42,765)
( 4,735)	-	( 4,735)
<u>( 154,226)</u>	<u>-</u>	<u>( 154,226)</u>
-	28,499	28,499
-	( 8,542)	( 8,542)
-	1,117	1,117
-	( 92,722)	-
-	( 71,648)	21,074
<u>( 154,226)</u>	<u>( 71,648)</u>	<u>( 133,152)</u>
73,705	-	73,705
29,874	-	29,874
65,288	-	-
23,636	6,247	29,883
65,000	-	65,000
14,360	( 14,360)	-
<u>271,863</u>	<u>54,928</u>	<u>326,791</u>
117,637	( 16,720)	193,639
706,139	245,080	951,219
-	2,909,000	-
<u>706,139</u>	<u>3,154,080</u>	<u>951,219</u>
<u>\$ 823,776</u>	<u>\$ 3,137,360</u>	<u>\$ 1,144,858</u>

# VILLAGE OF CARSONVILLE, MICHIGAN

## BALANCE SHEET GOVERNMENTAL FUNDS FEBRUARY 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Municipal Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 45,946	\$ 48,189	\$ 97,776	\$ 27,252	\$ 219,163
Receivables -					
Interest and accounts	1,750	-	-	-	1,750
Due from other governmental units -					
Federal/State	11,580	5,828	-	2,128	19,536
Due from other funds	<u>-</u>	<u>6,163</u>	<u>908</u>	<u>5,638</u>	<u>12,709</u>
 Total Assets	 <u>\$ 59,276</u>	 <u>\$ 60,180</u>	 <u>\$ 98,684</u>	 <u>\$ 35,018</u>	 <u>\$ 253,158</u>
 <b>Liabilities:</b>					
Accounts payable	\$ 1,113	\$ 437	\$ 1,006	\$ 2,465	\$ 5,021
Accrued liabilities	928	226	969	-	2,123
Due to other funds	<u>1,556</u>	<u>3,300</u>	<u>8,293</u>	<u>-</u>	<u>13,149</u>
 Total Liabilities	 <u>3,597</u>	 <u>3,963</u>	 <u>10,268</u>	 <u>2,465</u>	 <u>20,293</u>
 <b>Fund Balances:</b>					
Reserved -					
Capital Project	-	-	-	10,185	10,185
Unreserved -					
Undesignated -					
General Fund	55,679	-	-	-	55,679
Special Revenue Funds	<u>-</u>	<u>56,217</u>	<u>88,416</u>	<u>22,368</u>	<u>167,001</u>
Total Equity	<u>55,679</u>	<u>56,217</u>	<u>88,416</u>	<u>32,553</u>	<u>232,865</u>
 Total Liabilities and Fund Equity	 <u>\$ 59,276</u>	 <u>\$ 60,180</u>	 <u>\$ 98,684</u>	 <u>\$ 35,018</u>	 <u>\$ 253,158</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CARSONVILLE, MICHIGAN**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
FEBRUARY 28, 2005**

Fund Balances - total governmental funds	\$ 232,865
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	1,050,791
Accumulated depreciation	( 314,652)
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	( 141,911)
Accrued interest	( 3,317)
Net Assets of governmental activities	<u>\$ 823,776</u>

The notes to the financial statements are an integral part of this statement.

# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2005

	General	Major Street	Municipal Street	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 73,705	\$ -	\$ 29,874	\$ -	\$ 103,579
Licenses and permits	993	-	-	25	1,018
Intergovernmental -					
Federal/State	63,933	40,742	-	12,371	117,046
Local	-	-	12,815	24,600	37,415
Charges for services	28,922	-	-	-	28,922
Fines and forfeits	56	-	-	-	56
Interest and rent	16,976	608	1,168	4,884	23,636
Sale of Asset	-	-	-	65,000	65,000
Special assessment	-	-	-	-	-
Other	3,388	2,465	-	-	5,853
Total Revenues	<u>187,973</u>	<u>43,815</u>	<u>43,857</u>	<u>106,880</u>	<u>382,525</u>
<b>Expenditures:</b>					
Current -					
General Government	67,645	-	-	2,341	69,986
Public Safety	73,171	-	-	209,256	282,427
Public Works	31,346	29,143	33,482	16,007	109,978
Recreation and Cultural	-	-	-	-	-
Other Activities	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Principal	3,500	-	-	1,871	5,371
Interest	1,214	-	-	204	1,418
Total Expenditures	<u>176,876</u>	<u>29,143</u>	<u>33,482</u>	<u>229,679</u>	<u>469,180</u>
Excess of revenues over (under) expenditures	<u>11,097</u>	<u>14,672</u>	<u>10,375</u>	<u>( 122,799)</u>	<u>( 86,655)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	5,000	-	10,000	21,875	36,875
Transfers to other funds	( 15,620)	( 4,500)	-	( 2,395)	( 22,515)
Loan Proceeds	-	-	-	100,000	100,000
Total Other Financing Sources (Uses)	<u>( 10,620)</u>	<u>( 4,500)</u>	<u>10,000</u>	<u>119,480</u>	<u>114,360</u>
Excess of revenues and other sources over (under) expenditures and other uses	477	10,172	20,375	( 3,319)	27,705
Fund Balances at beginning of year	<u>55,202</u>	<u>46,045</u>	<u>68,041</u>	<u>35,872</u>	<u>205,160</u>
Fund Balances at end of year	<u>\$ 55,679</u>	<u>\$ 56,217</u>	<u>\$ 88,416</u>	<u>\$ 32,553</u>	<u>\$ 232,865</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CARSONVILLE, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FEBRUARY 28, 2005**

Net change in fund balances - total governmental funds	\$ 27,705
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	222,257
Depreciation expense	( 34,379)
Proceeds from note recorded as other financing sources in governmental funds, however recorded as long-term liabilities in government wide statements	( 100,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund.	
Principal payments on long term liabilities	5,371
Increase in accrued interest	<u>( 3,317)</u>
Change in net assets of governmental activities	<u><u>\$ 117,637</u></u>

The notes to the financial statements are an integral part of this statement.

# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS FEBRUARY 28, 2005

	Business Type Activities-Enterprise Funds			
	Water	Refuse	Sewage Collection System	Total
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 74,714	\$ 3,719	\$ 49,681	\$ 128,114
Accounts and interest receivable	21,404	11,923	34,118	67,445
Due from other funds	-	-	440	440
Total Current Assets	<u>96,118</u>	<u>15,642</u>	<u>84,239</u>	<u>195,999</u>
<b>Restricted Assets:</b>				
Cash and cash equivalents	33,751	-	280,012	313,763
Special assessments	-	-	1,166,912	1,166,912
Total Restricted Assets	<u>33,751</u>	<u>-</u>	<u>1,446,924</u>	<u>1,480,675</u>
<b>Property, Plant and Equipment:</b>				
Property, plant and equipment	1,378,285	-	2,924,231	4,302,516
Less - accumulated depreciation	( 146,761)	-	( 360,440)	( 507,201)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>1,231,524</u>	<u>-</u>	<u>2,563,791</u>	<u>3,795,315</u>
Construction in progress	<u>80,994</u>	<u>-</u>	<u>-</u>	<u>80,994</u>
<b>Other Assets:</b>				
Tap-in fees receivable	<u>-</u>	<u>-</u>	<u>41,297</u>	<u>41,297</u>
Total Assets	<u><u>1,442,387</u></u>	<u><u>15,642</u></u>	<u><u>4,136,251</u></u>	<u><u>5,594,280</u></u>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts payable	17,867	2,669	1,598	22,134
Accrued expenses	29,891	-	-	29,891
Bonds/Notes payable (current portion)	25,000	-	18,000	43,000
Total Current Liabilities	<u>72,758</u>	<u>2,669</u>	<u>19,598</u>	<u>95,025</u>
<b>Long-Term Liabilities (less current portions):</b>				
Notes payable (net of current portion)	1,015,884	-	1,346,011	2,361,895
Total Long-Term Liabilities	<u>1,015,884</u>	<u>-</u>	<u>1,346,011</u>	<u>2,361,895</u>
Total Liabilities	<u>1,088,642</u>	<u>2,669</u>	<u>1,365,609</u>	<u>2,456,920</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related liabilities	271,634	-	1,199,780	1,471,414
Unrestricted				
Undesignated	<u>82,111</u>	<u>12,973</u>	<u>1,570,862</u>	<u>1,665,946</u>
Total Net Assets	<u><u>\$ 353,745</u></u>	<u><u>\$ 12,973</u></u>	<u><u>\$ 2,770,642</u></u>	<u><u>\$ 3,137,360</u></u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2005

	Business Type Activities-Enterprise Funds			
	Water	Refuse	Sewage Collection System	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 62,670	\$ 31,382	\$ 29,960	\$ 124,012
Penalties	2,086	-	-	2,086
Other	2,096	-	1,020	3,116
Total Operating Revenues	<u>66,852</u>	<u>31,382</u>	<u>30,980</u>	<u>129,214</u>
<b>Operating Expenses:</b>				
Salaries and fringes	21,575	-	10,828	32,403
Service fees	-	36,599	-	36,599
Administrative expenses	4,777	2,925	3,267	10,969
Supplies and postage	5,794	-	268	6,062
Utilities	9,286	-	1,292	10,578
Repairs and maintenance	3,007	-	1,080	4,087
Equipment rent	4,028	-	1,328	5,356
Contracted services	5,755	-	1,760	7,515
Professional services	1,142	400	2,350	3,892
Miscellaneous	5,598	-	1,023	6,621
Insurance	4,170	-	2,980	7,150
Depreciation	6,820	-	60,950	67,770
Total Operating Expenses	<u>71,952</u>	<u>39,924</u>	<u>87,126</u>	<u>199,002</u>
Operating Income (Loss)	<u>( 5,100)</u>	<u>( 8,542)</u>	<u>( 56,146)</u>	<u>( 69,788)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Enterprise improvements	-	-	57,263	57,263
Capital Contributions	33,599	-	-	33,599
Special assessments	-	-	63,041	63,041
Interest earned	966	137	5,144	6,247
Interest expenses	<u>( 30,239)</u>	<u>-</u>	<u>( 62,483)</u>	<u>( 92,722)</u>
Total Non-Operating Revenues	<u>4,326</u>	<u>137</u>	<u>62,965</u>	<u>67,428</u>
Net Income (Loss)	<u>( 774)</u>	<u>( 8,405)</u>	<u>6,819</u>	<u>( 2,360)</u>
<b>Operating Transfers In (Out):</b>				
Transfers from other funds	-	-	960	960
Transfers to other funds	<u>( 320)</u>	<u>-</u>	<u>( 15,000)</u>	<u>( 15,320)</u>
	<u>( 320)</u>	<u>-</u>	<u>( 14,040)</u>	<u>( 14,360)</u>
Net Loss	<u>( 1,094)</u>	<u>( 8,405)</u>	<u>( 7,221)</u>	<u>( 16,720)</u>
Net Assets at beginning of year	258,839	21,378	( 35,137)	245,080
Prior Period Adjustments	<u>96,000</u>	<u>-</u>	<u>2,813,000</u>	<u>2,909,000</u>
Net Assets at Beginning of year (restated)	<u>354,839</u>	<u>21,378</u>	<u>2,777,863</u>	<u>3,154,080</u>
Net Assets at end of year	<u>\$ 353,745</u>	<u>\$ 12,973</u>	<u>\$ 2,770,642</u>	<u>\$ 3,137,360</u>

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF CARSONVILLE, MICHIGAN**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED FEBRUARY 28, 2005**

	<u>Business Type Activities-Enterprise Funds</u>			
	Water	Refuse	Sewage Collection System	Total
<b>Cash Flows From Operating Activities:</b>				
Cash receipts from customers	\$ 71,416	\$ 32,443	\$ 12,010	\$ 115,869
Cash payments to suppliers	( 26,647)	( 37,255)	( 14,787)	( 78,689)
Cash payments to employees	( 21,575)	-	( 10,828)	( 32,403)
Net Cash Provided (Used) by Operating Activities	<u>23,194</u>	<u>( 4,812)</u>	<u>( 13,605)</u>	<u>4,777</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfer in (out)	( 320)	-	( 14,040)	( 14,360)
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Bond Proceeds (payments)	1,040,884	-	( 25,000)	1,015,884
Grant Contributions	33,599	-	-	33,599
Interest Paid on long term debt	( 30,239)	-	( 62,483)	( 92,722)
Reimbursement for construction in progress	54,548	-	57,263	111,811
Special assessment receivable	-	-	102,432	102,432
Acquisition and construction of capital assets	( 1,040,884)	-	-	( 1,040,884)
Net Cash Used by Capital and Related Financing Activities	<u>57,908</u>	<u>-</u>	<u>72,212</u>	<u>130,120</u>
<b>Cash Flows From Investing Activities:</b>				
Interest earned	<u>966</u>	<u>137</u>	<u>5,144</u>	<u>6,247</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	81,748	( 4,675)	49,711	126,784
Cash and Cash Equivalents at Beginning of Year	<u>26,717</u>	<u>8,394</u>	<u>279,982</u>	<u>315,093</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 108,465</u></u>	<u><u>\$ 3,719</u></u>	<u><u>\$ 329,693</u></u>	<u><u>\$ 441,877</u></u>
<b>Reconciliation of Net Income (Loss) to:</b>				
Net Cash Provided (Used) by Operating Activities:				
Operating income (loss) for the year	\$( 5,100)	\$( 8,542)	\$( 56,146)	\$( 69,788)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation	6,820	-	60,950	67,770
Change in assets and liabilities:				
Receivable	4,564	1,061	( 18,970)	( 13,345)
Prepaid and deposits	-	-	-	-
Inventory	-	-	-	-
Accounts payable/accrued expenses	<u>16,910</u>	<u>2,669</u>	<u>561</u>	<u>20,140</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 23,194</u></u>	<u><u>\$( 4,812)</u></u>	<u><u>\$( 13,605)</u></u>	<u><u>\$ 4,777</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CARSONVILLE, MICHIGAN**

**STATEMENT OF FIDUCIARY NET ASSETS  
TAX RECEIVING FIDUCIARY FUND  
FEBRUARY 28, 2005**

**ASSETS:**

Cash and cash equivalents

\$ -

**LIABILITIES:**

Due to other funds

\$ -

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity -**

**DESCRIPTION OF VILLAGE OPERATIONS** - The Village of Carsonville is one of ten (10) Villages in Sanilac County and is located within the boundaries of Sanilac and Washington Townships. The Village operates under an elected Village Council which consists of a President and six Council members. The Village provides services to its residents in many areas, including law enforcement, fire protection, water, sewer and recreation.

**FINANCIAL REPORTING ENTITY** - In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 the reporting entity includes both the primary government and all of its "component units". The criteria established by GASB for determining the component units include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

On this basis, there are no other financial statements that should be included in the Village's financial statements.

**B. Government-wide and fund financial statements -**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governments financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied and due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers all revenues available if they are normally collected within 60 days after the year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on September 14, are recognized as revenue in the year due. Also only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

**Major Street** – is a special revenue fund used to account for Act 51, money and other related revenues restricted for major street maintenance and improvements.

**Municipal Street** – is a special revenue fund used to account for restricted revenue for street maintenance and street lighting.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

The Village reports the following major proprietary funds:

**Water Fund** – is used to account for the treatment and distribution of water to residential and commercial users.

**Refuse Fund** – is used to account for operations and activities of garbage collection and recycling for residential customer within the Village of Carsonville.

**Sewage Collection System Fund** – is used to account for sanitary sewer services provided to the residential and commercial users.

Additionally, the government reports the following fund types:

**Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the Enterprise Funds are charges to customers for sale, rent and services. Operating expenses for Enterprise Funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**D. Assets, Liabilities and Net Assets or Equity -**

**Deposits and Investments -**

The Village maintains a common checking account for its operation funds. Each participating fund reports its share separately.

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, savings, certificates of deposit with original maturities of three months or less from the date of acquisition and financial institution pooled funds. The financial institution pool funds have the general characteristics of demand deposit accounts in that the Village may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

**Receivables and Payables -**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

**Inventories and Prepaid Items -**

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Property Tax Calendar -**

The Village's property tax is levied each July 1 on the taxable value of property located in the Village as of the preceding December as adjusted by the March and July Board of Reviews. Taxes are collected through September 14.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Capital Assets -**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Village has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to February 29, 2004.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives.

<u>Primary Government -</u>	<u>Years</u>
Building/improvements	40
Utility Systems	40
Road Systems/Other	
Infrastructure	8-25
Equipment	25

**Long-Term Obligations -**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Fund Equity -**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Estimates -**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**Budgetary Compliance –**

The Treasurer of the Village and the Village Council Finance Committee prepare from data submitted from department heads a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and resources to finance them.

Prior to February 28, the proposed budget is presented to the Village Council. The Council holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Council Resolution. After the budget is adopted, all amendments must be approved by the Village Council.

Budgets are legally adopted at the activity level for the General Fund and functional level for the Special Revenue Funds; however, for control purposes all the budgets are maintained at the account level. All unexpended appropriations lapse at fiscal year end.

Budgeted amounts are reported as originally adopted, or as amended, by the Village Council during the year. Individual amendments were not material in relation to the original appropriations.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year ended February 28, 2005, the Village incurred expenditures in the General and Special Revenue Funds, which were in excess of the amounts appropriated as follows:



**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: - (cont'd):**

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
<u>General Fund –</u>			
General Government –			
Elections	\$ 1,500	\$ 2,146	\$ 646
Clerk and Treasurer	16,153	18,317	2,164
Public Safety –			
Fire Department	39,057	45,101	6,044
Debt Service	-	4,714	4,714
Transfers –			
Transfers Out	-	15,620	15,620
<u>Special Revenue Funds –</u>			
Fire Capital			
Public Safety	1,100	209,256	208,156
DPW Capital			
Public Works	-	3,557	3,557
Municipal Service Building			
Transfers	-	320	320

**Fund Balance Deficits –**

The following Special Revenue Funds had fund balance deficits at February 28, 2005 –

DPW Capital	\$ 557
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**NOTE 3 – DEPOSITS AND INVESTMENTS:**

In accordance with Act 20 PA 1943 as amended by Act 196 PA 1997, the Village is authorized after Board resolution to invest surplus funds in the following types of investments:

- a) In bonds, securities and other direct obligations of the United States or an agency or instrumentality of the United States.
- b) In certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.
- c) In commercial paper rated at the time of purchase within the two (2) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d) In the United States government or federal agency obligations repurchase agreements.
- e) In bankers acceptances of United States banks.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):**

- f) In obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g) In mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h) In investment pools organized under the surplus funds investment act, 367 of 1982.
- i) In investment pools organized under the local government investment pool act, 121 of 1985.

**Deposits -**

Michigan Public Acts authorize the units of local government in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations. Deposits of the Village are at federally insured banks in the State of Michigan in the name of the Village.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of February 28, 2005, the carrying amount of the Village deposits is \$661,040, and the bank balance is \$666,535. The bank balance is classified by credit risk as follows:

Demand accounts - insured by FDIC	\$ 13,872
Savings and certificates of deposit accounts – insured by FDIC	100,000
Savings and certificates of deposit – Uninsured and uncollateralized	<u>552,663</u>
	<u>\$ 666,535</u>

Included in the Balance Sheet account cash and cash equivalents at February 28, 2005, is \$50 in petty cash.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result the Village evaluates each financial institution and assesses the level of risk. The Village uses only those financial institutions with an acceptable estimated risk level as depositories.

Due to significantly higher cash flow at certain periods during the year, the amount the Village holds as deposits can increase significantly. As a result, the amount of uninsured and uncollateralized deposits was substantially higher at these peak times than at year end.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 4 - TAXES:**

Assessed values are established annually, taxable by the respective Townships and are equalized by the State at an estimated percentage of the current market value. Real and personal property for the Village of Carsonville for the fiscal year 2005 had a Taxable Equalized value of \$6,983,759. The millage rates levied by the Village were 10.7585 for the General Fund and 4.3033 for the Municipal Street Fund.

The County of Sanilac has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

**NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE BALANCES:**

Interfund receivable and payable balances described as Due From and Due To Other Funds on the Balance Sheet reflect amounts due from or due to a particular fund by another fund of the Village. These amounts include only short-term obligations on open accounts, and not current portions of long-term loans. A summary of these balances by fund type at February 28, 2005, is as follows:

	<u>Due From</u>	<u>Due To</u>
<u>General Fund:</u>		
Municipal Street Fund	\$ -	\$ 908
Fire Capital Fund	-	208
Tax Receiving Fund	-	-
Sewer Collection System Fund	-	440
	<u>-</u>	<u>1,556</u>
Major Street Fund		
Municipal Street Fund	6,163	-
Local Street Fund	-	3,300
<u>Special Revenue Funds:</u>		
Municipal Street Fund		
General Fund	908	-
Major Street Fund	-	6,163
Local Street Fund	-	2,130
Local Street Fund		
Municipal Street Fund	2,130	-
Major Street	3,300	-
Fire Capital Fund		
General Fund	208	-
	<u>12,709</u>	<u>11,593</u>
<u>Enterprise Funds:</u>		
Sewage Construction Fund –		
General Fund	440	-
	<u>\$ 13,149</u>	<u>\$ 13,149</u>

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 5 – INTERFUND RECEIVABLE AND PAYABLE BALANCES – (cont'd):**

Interfund transfers for the year ended June 30, 2005 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sewage Collection System Fund	\$ 5,000
Municipal Fund	Sewage Collection System Fund	10,000
Local Street Fund	Major Street Fund	4,500
Equipment Debt Fund	Police Capital Fund	2,075
Sewage Collection System Fund	General Fund	320
	Police Capital Fund	320
	Water Fund	320
Police Capital Fund	General Fund	5,560
DPW Capital Fund	General Fund	<u>9,740</u>
Total Transfers		<u>\$ 37,835</u>

**NOTE 6 – CAPITAL ASSETS:**

**Primary Government**

Capital asset activity of the primary government for the year ended February 28, 2005 was as follows:

	March 1, 2004			February 28, 2005
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 96,875	\$ -	\$ -	\$ 96,875
Total capital assets, not being depreciated	<u>96,875</u>	<u>-</u>	<u>-</u>	<u>96,875</u>
Capital assets, being depreciated:				
Buildings and improvements	424,501	7,297	-	431,798
Machinery and equipment	<u>434,758</u>	<u>214,960</u>	<u>127,600</u>	<u>522,118</u>
Total capital assets, being depreciated	<u>859,259</u>	<u>222,257</u>	<u>127,600</u>	<u>953,916</u>
Less accumulated depreciation for:				
Buildings and improvements	108,176	11,674	-	119,850
Machinery and equipment	<u>299,697</u>	<u>22,705</u>	<u>127,600</u>	<u>194,802</u>
Total accumulated depreciation	<u>407,873</u>	<u>34,379</u>	<u>127,600</u>	<u>314,652</u>
Total capital assets being depreciated, net	<u>451,386</u>	<u>187,878</u>	<u>-</u>	<u>639,264</u>
Governmental activities capital assets, net	<u>\$ 548,261</u>	<u>\$ 187,878</u>	<u>\$ -</u>	<u>\$ 736,139</u>

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 6 - FIXED ASSETS – (cont'd):**

	March 1, 2004			February 28, 2005
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<b>Business Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,600	\$ -	\$ -	\$ 9,600
Construction in progress	<u>135,542</u>	<u>43,586</u>	<u>98,134</u>	<u>80,994</u>
Total capital assets, not being depreciated	<u>145,042</u>	<u>43,586</u>	<u>98,134</u>	<u>90,594</u>
Capital assets, being depreciated:				
Buildings and improvements	1,500	-	-	1,500
Machinery and equipment	34,584	-	-	34,584
Water system	331,253	1,040,884	-	1,372,137
Sewer system	<u>2,884,695</u>	<u>-</u>	<u>-</u>	<u>2,884,695</u>
Total capital assets being depreciated	<u>3,252,032</u>	<u>1,040,884</u>	<u>-</u>	<u>4,292,916</u>
Less accumulated depreciation for:				
Buildings and improvements	990	30	-	1,020
Machinery and equipment	18,547	3,154	-	21,701
Water systems	135,903	6,790	-	142,693
Sewer systems	<u>283,991</u>	<u>57,796</u>	<u>-</u>	<u>341,787</u>
Total accumulated depreciation	<u>439,431</u>	<u>67,770</u>	<u>-</u>	<u>507,201</u>
Total capital assets being depreciated, net	<u>2,812,601</u>	<u>973,114</u>	<u>-</u>	<u>3,785,715</u>
Business activities capital assets, net	<u>\$ 2,957,643</u>	<u>\$ 1,016,700</u>	<u>98,134</u>	<u>\$ 3,876,309</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 11,342
Public Safety	13,002
Public Works	<u>10,035</u>
Total depreciation expense-governmental activities	<u>\$ 34,379</u>
Business-type activities:	
Sewer	\$ 60,950
Water	<u>6,820</u>
Total depreciation expense-business-type activities	<u>\$ 67,770</u>

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 7 - LONG-TERM DEBT:**

The following is a summary of the changes in long-term debt of the Village for the fiscal year ended February 28, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Funds -					
GO Capital Improvement Bonds	39,500	-	3,500	36,000	7,000
Commercial Loan on Police Car	7,782	-	1,871	5,911	3,890
Fire truck loan	-	100,000	-	100,000	12,411
Total Governmental Funds	47,282	100,000	5,371	141,911	23,301
<u>Business-type Activities:</u>					
1998 Sanitary sewerage system bond	1,389,011	-	25,000	1,364,011	18,000
2004 Water drinking system bond	-	1,040,884	-	1,040,884	25,000
Total Business-Type Activities	1,389,011	1,040,884	25,000	2,404,895	43,000
	<u>\$1,436,293</u>	<u>\$1,140,884</u>	<u>\$30,371</u>	<u>\$2,546,806</u>	<u>\$ 66,301</u>

Significant details regarding outstanding long-term debt are presented as follows:

Governmental Long-Term Debt –

General Obligation Bonds

The Village issued \$39,500 in General Obligation Capital Improvement Bonds for the purpose of improvements to the Village Hall. The bonds dated February 26, 2004, are due in semi-annual installments increasing from \$3,500 to \$4,500 through March 1, 2009, with interest rate fixed at 6.00 percent, payable semi-annually. \$ 36,000

\$18,041 Commercial Motor Vehicle Loan (Police Jeep Cherokee) dated March 1, 2001, due in semi-annual payments of \$2,075 including interest of 5.25% through March 1, 2006. 5,911

\$100,000 Promissory note for fire truck purchase dated September 1, 2004 payable to Bank of Carsonville in semi- annual installments increasing from \$6,256 to \$8,493 through September 1, 2011, with interest rate fixed at 4.40% payable semi-annually. 100,000

Total Governmental activities Long-Term Debt \$ 141,911

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 7 – LONG TERM DEBT – (cont'd):**

Proprietary Funds -

\$1,498,000 Rural Development Authority Sanitary Sewerage System Bonds, dated June 18, 1998, due in annual installments increasing from \$17,000 to \$75,000 through June 1, 2038; with interest of 4.5 percent payable semi-annually. \$ 1,364,011

\$1,065,000 Drinking Water Revolving loan, dated June 24, 2004, due in semi-annual payments increasing from \$25,000 to \$50,000 through April 1, 2034; with interest of 2.125% payable semi-annually. Amount drawn as of February 28, 2005. 1,040,884

Total Proprietary funds Long-Term Debt \$ 2,404,895

The annual requirements to amortize debt outstanding at February 28, 2005,

Governmental Funds Long Term Debt:

Year	2004 Capital Improvement Bond		2001 Commercial Vehicle Loan		2004 Promissory Note Fire Truck	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 3,890	\$ 260	\$ 7,000	\$ 2,055	\$ 12,411	\$ 4,372
2007	2,021	53	7,500	1,635	12,977	3,806
2008	-	-	8,000	1,170	13,569	3,213
2009	-	-	9,000	675	14,181	2,602
2010	-	-	4,500	135	14,835	1,947
2011-2015	-	-	-	-	32,027	1,833
	<u>\$ 5,911</u>	<u>\$ 313</u>	<u>\$ 36,000</u>	<u>\$ 200,726</u>	<u>\$ 100,000</u>	<u>\$ 17,773</u>

Proprietary Funds Long Term Debt:

Year	1998 Sewer System Bond		2004 Drinking Water Revolving Loan	
	Principal	Interest	Principal	Interest
2006	\$ 18,000	\$ 61,741	\$ 25,000	\$ 19,471
2007	19,000	60,931	25,000	21,322
2008	20,000	60,076	25,000	20,791
2009	21,000	59,176	25,000	20,259
2010	22,000	58,231	30,000	19,675
2011-2015	125,000	275,403	150,000	88,813
2016-2020	155,000	244,758	165,000	72,401
2021-2025	193,000	206,598	185,000	53,823
2026-2030	241,000	159,078	205,000	33,018
2031-2035	300,000	99,723	205,884	10,123
2036-2040	250,011	27,362	-	-
	<u>\$ 1,364,011</u>	<u>\$ 313</u>	<u>\$1,040,884</u>	<u>\$ 359,696</u>

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 8 – PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS:**

A prior period adjustment was made to both water and wastewater enterprise funds in the amount of \$96,000 and \$2,813,000, respectively.

As of and for the year ended February 28, 2005, the City implemented the following Governmental Accounting Standards Board pronouncements:

**Statements**

- No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*
- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues – An Amendment of GASB No. 33*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

**Interpretation**

- No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
- Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
- Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Notes to financial statements;
- Required supplementary information, including certain budgetary schedules.



**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 8 – PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS – (cont'd):**

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to net assets at June 30, 2003:

*Government-wide financial statements.* Beginning net assets for governmental activities were determined as follows:

	<u>Governmental Activities</u>
Fund balances of general and special revenue funds as of 2/29/2004	\$ 205,160
Add: capital assets	956,134
Less: accumulated depreciation on capital assets	( 407,873)
Less: bonds/notes payable	<u>( 47,282)</u>
Net Assets at 2/28/2005	<u>\$ 706,139</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED FEBRUARY 28, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 71,143	\$ 71,143	\$ 73,705	\$ 2,562
Licenses and permits	794	794	993	199
Intergovernmental -				
Federal and State	65,000	65,000	63,933	( 1,067)
Charges for services	26,105	26,106	28,922	2,816
Fines and forfeits	1,000	1,000	56	( 944)
Interest and rents	20,361	19,861	16,976	( 2,885)
Other	4,661	4,661	3,388	( 1,273)
	<u>189,064</u>	<u>188,565</u>	<u>187,973</u>	<u>( 592)</u>
<b>Expenditures:</b>				
Legislative -				
Village Council	<u>8,700</u>	<u>8,700</u>	<u>8,615</u>	<u>85</u>
General Government -				
Elections	1,500	1,500	2,146	( 646)
Assessor	600	600	300	300
Clerk and Treasurer	16,153	16,153	18,317	( 2,164)
Village Hall	49,694	49,294	38,267	11,027
	<u>67,947</u>	<u>67,547</u>	<u>59,030</u>	<u>8,517</u>
Public Safety -				
Police Protection	48,245	47,245	28,070	19,175
Fire Department	39,057	39,057	45,101	( 6,044)
	<u>87,302</u>	<u>86,302</u>	<u>73,171</u>	<u>13,131</u>
Public Works -				
Department of Public Works	31,883	32,383	31,148	1,235
Street Lights	500	500	198	302
	<u>32,383</u>	<u>32,883</u>	<u>31,346</u>	<u>1,537</u>
Debt Service -				
Principal	-	-	3,500	( 3,500)
Interest	-	-	1,214	( 1,214)
	<u>-</u>	<u>-</u>	<u>4,714</u>	<u>( 4,714)</u>
Total Expenditures	<u>196,332</u>	<u>195,432</u>	<u>176,876</u>	<u>18,556</u>
Excess of revenues over (under) expenditures	<u>( 7,268)</u>	<u>( 6,867)</u>	<u>11,097</u>	<u>17,964</u>

Continued

# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED FEBRUARY 28, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Transfers in	\$ -	\$ -	\$ 5,000	\$ 5,000
Transfers out	-	-	( 15,620)	( 15,620)
	<u>-</u>	<u>-</u>	<u>( 10,620)</u>	<u>( 10,620)</u>
Excess of revenues and other sources over (under) expenditures and other uses	( 7,268)	( 6,867)	477	7,344
Fund Balance at beginning of year	<u>55,202</u>	<u>55,202</u>	<u>55,202</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 47,934</u>	<u>\$ 48,335</u>	<u>\$ 55,679</u>	<u>\$ 7,344</u>

Concluded

# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL MAJOR STREET FUND FOR THE YEAR ENDED FEBRUARY 28, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental -				
State	\$ 34,697	\$ 34,697	\$ 40,742	\$ 6,045
Interest	822	822	608	( 214)
Other	-	-	2,465	2,465
	<u>35,519</u>	<u>35,519</u>	<u>43,815</u>	<u>8,296</u>
<b>Expenditures:</b>				
Public Works -				
Administration				
Salaries and wages	5,072	5,072	2,683	2,389
Professional fees	2,217	2,217	1,391	826
	<u>7,289</u>	<u>7,289</u>	<u>4,074</u>	<u>3,215</u>
Maintenance				
Salaries and wages	5,494	5,494	6,312	( 818)
Supplies	2,000	2,000	351	1,649
Contracted service	18,144	18,144	9,750	8,394
Equipment rent	3,166	3,166	2,187	979
	<u>28,804</u>	<u>28,804</u>	<u>18,600</u>	<u>10,204</u>
Winter Maintenance				
Salaries and wages	2,500	2,500	5,605	( 3,105)
Supplies	400	400	340	60
Contracted service	1,500	1,500	-	1,500
Equipment rent	210	210	524	( 314)
	<u>4,610</u>	<u>4,610</u>	<u>6,469</u>	<u>( 1,859)</u>
Total Expenditures	<u>40,703</u>	<u>40,703</u>	<u>29,143</u>	<u>11,560</u>
Excess of revenues over expenditures	( 5,184)	( 5,184)	14,672	19,856
<b>Other Financing Uses:</b>				
Transfers out -				
Local Street Fund	( 4,500)	( 4,500)	( 4,500)	-
Excess of revenues over (under) expenditures and other uses	( 9,684)	( 9,684)	10,172	19,856
Fund Balance at beginning of year	<u>46,045</u>	<u>46,045</u>	<u>46,045</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 36,361</u>	<u>\$ 36,361</u>	<u>\$ 56,217</u>	<u>\$ 19,856</u>

**VILLAGE OF CARSONVILLE, MICHIGAN**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
MUNICIPAL STREET FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	28,456	28,456	29,874	1,418
Intergovernmental -				
Local	12,246	12,246	12,815	569
Interest	1,200	1,200	1,168	( 32)
	<u>41,902</u>	<u>41,902</u>	<u>43,857</u>	<u>1,955</u>
<b>Expenditures:</b>				
Public Works -				
Administration	16,205	16,205	11,971	4,234
Maintenance	15,668	15,668	21,511	( 5,843)
	<u>31,873</u>	<u>31,873</u>	<u>33,482</u>	<u>( 1,609)</u>
Excess of revenues over expenditures	10,029	10,029	10,375	346
<b>Other Financing Sources:</b>				
Transfers in -	<u>5,000</u>	<u>5,000</u>	<u>10,000</u>	<u>5,000</u>
Excess of revenues and other sources over expenditures	15,029	15,029	20,375	5,346
Fund Balance at beginning of year	<u>68,041</u>	<u>68,041</u>	<u>68,041</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 83,070</u>	<u>\$ 83,070</u>	<u>\$ 88,416</u>	<u>\$ 5,346</u>

## **SUPPLEMENTARY INFORMATION**

# VILLAGE OF CARSONVILLE, MICHIGAN

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET FEBRUARY 28, 2005

	Special Revenue Funds			
	Local Street	Fire Capital	DPW Capital	Police Capital
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,235	\$ 9,833	\$( 557)	\$ 2,230
Due from other governmental units - State	2,128	-	-	-
Due from other funds	<u>5,430</u>	<u>208</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 22,793</u></u>	<u><u>\$ 10,041</u></u>	<u><u>\$( 557)</u></u>	<u><u>\$ 2,230</u></u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 425	\$ 2,040	\$ -	\$ -
<b>Fund Balance (Deficit):</b>				
Unreserved - Undesignated	<u>22,368</u>	<u>8,001</u>	<u>( 557)</u>	<u>2,230</u>
Total Liabilities and Fund Balance	<u><u>\$ 22,793</u></u>	<u><u>\$ 10,041</u></u>	<u><u>\$( 557)</u></u>	<u><u>\$ 2,230</u></u>



	Debt Service Fund	
<u>Municipal Service Building</u>	<u>Equipment Note</u>	<u>Total</u>
\$ 511	\$ -	\$ 27,252
-	-	2,128
<u>-</u>	<u>-</u>	<u>5,638</u>
<u>\$ 511</u>	<u>\$ -</u>	<u>\$ 35,018</u>

\$ -	\$ -	\$ 2,465
<u>511</u>	<u>-</u>	<u>32,553</u>
<u>\$ 511</u>	<u>\$ -</u>	<u>\$ 35,018</u>

# VILLAGE OF CARSONVILLE, MICHIGAN

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED FEBRUARY 28, 2005

	Special Revenue Funds				
	Local Street	Fire Capital	DPW Capital	Police Capital	Municipal Service Building
<b>Revenues:</b>					
Licenses and permits	\$ -	\$ -	\$ -	\$ 25	\$ -
Intergovernmental-					
State	12,371	-	-	-	-
Local	-	24,600	-	-	-
Interest	150	483	-	3	3
Rental Collections	-	-	-	-	4,245
Total Revenues	<u>12,521</u>	<u>25,083</u>	<u>-</u>	<u>28</u>	<u>4,248</u>
<b>Expenditures:</b>					
Current -					
Public Safety	-	209,256	-	-	-
Public Works	12,450	-	3,557	-	-
General Government	-	-	-	-	2,341
Debt Service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>12,450</u>	<u>209,256</u>	<u>3,557</u>	<u>-</u>	<u>2,341</u>
Excess of revenues over (under) expenditures	71	( 184,173)	( 3,557)	28	1,907
<b>Other Financing Sources (Uses):</b>					
Loan Proceeds	-	100,000	-	-	-
Sale of Asset	-	65,000	-	-	-
Transfers in	4,500	-	9,740	5,560	-
Transfers (out)	-	-	-	( 2,075)	( 320)
Total Other Financing Sources (Uses)	<u>4,500</u>	<u>165,000</u>	<u>9,740</u>	<u>3,485</u>	<u>( 320)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>4,571</u>	<u>( 19,173)</u>	<u>6,183</u>	<u>3,513</u>	<u>1,587</u>
Fund Balances (Deficit) at beginning of year	<u>17,797</u>	<u>27,174</u>	<u>( 6,740)</u>	<u>( 1,283)</u>	<u>( 1,076)</u>
Fund Balances (Deficit) at end of year	<u>\$ 22,368</u>	<u>\$ 8,001</u>	<u>\$ ( 557)</u>	<u>\$ 2,230</u>	<u>\$ 511</u>

Debt Service Fund	
Equipment Note	Total
\$ -	\$ 25
-	12,371
-	24,600
-	639
-	4,245
-	41,880
-	209,256
-	16,007
-	2,341
1,871	1,871
204	204
2,075	229,679
( 2,075)	( 187,799)
-	100,000
-	65,000
2,075	21,875
-	( 2,395)
2,075	184,480
-	( 3,319)
-	35,872
\$ -	\$ 32,553

# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>LOCAL STREET FUND</b>				
<b>Revenues:</b>				
Intergovernmental -				
State	\$ 12,378	\$ 12,378	\$ 12,371	\$ ( 7)
Interest	312	312	150	( 162)
	<u>12,690</u>	<u>12,690</u>	<u>12,521</u>	<u>( 169)</u>
<b>Expenditures:</b>				
Public Works -				
Administration -				
Salaries and wages	1,200	1,200	1,237	( 37)
Professional fees	250	250	-	250
	<u>1,450</u>	<u>1,450</u>	<u>1,237</u>	<u>213</u>
Maintenance -				
Salaries and wages	5,696	5,696	4,886	810
Supplies	1,700	1,700	149	1,551
Insurance and bonds	1,214	1,214	1,391	( 177)
Contracted service	1,000	1,000	1,995	( 995)
Equipment rent	4,524	4,524	19	4,505
	<u>14,134</u>	<u>14,134</u>	<u>8,440</u>	<u>5,694</u>
Winter Maintenance -				
Salaries and wages	2,000	2,000	466	1,534
Supplies	100	100	765	( 665)
Equipment rent	888	888	1,542	( 654)
Contracted services	500	500	-	500
	<u>3,488</u>	<u>3,488</u>	<u>2,773</u>	<u>715</u>
Total Expenditures	<u>19,072</u>	<u>19,072</u>	<u>12,450</u>	<u>6,622</u>
Excess of revenues over (under) expenditures	<u>9,202</u>	<u>9,202</u>	<u>71</u>	<u>546</u>
<b>Other Financing Sources:</b>				
Transfer in -	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Excess of revenues and other sources over expenditures	13,702	13,702	4,571	546
Fund Balance at beginning of year	<u>17,797</u>	<u>17,797</u>	<u>17,797</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 31,499</u>	<u>\$ 31,499</u>	<u>\$ 22,368</u>	<u>\$ 546</u>

# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>FIRE CAPITAL</b>				
<b>Revenues:</b>				
Intergovernmental - Local	\$ 16,800	\$ 16,800	\$ 24,600	\$ 7,800
Sale of asset	-	-	65,000	65,000
Interest	1,500	1,500	483	( 1,017)
	<u>18,300</u>	<u>18,300</u>	<u>90,083</u>	<u>71,783</u>
<b>Expenditures:</b>				
Public Safety -	<u>1,100</u>	<u>1,100</u>	<u>209,256</u>	<u>( 208,156)</u>
Excess of revenues over (under) expenditures	<u>17,200</u>	<u>17,200</u>	<u>( 119,173)</u>	<u>( 136,373)</u>
<b>Other Financing Sources:</b>				
Loan proceeds	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Excess of revenues and other sources over (under) expenditures	<u>17,200</u>	<u>17,200</u>	<u>( 19,173)</u>	<u>( 36,373)</u>
Fund Balance at beginning of year	<u>27,174</u>	<u>27,174</u>	<u>27,174</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 44,374</u></u>	<u><u>\$ 44,374</u></u>	<u><u>\$ 8,001</u></u>	<u><u>\$( 36,373)</u></u>

### DPW CAPITAL

<b>Revenues:</b>				
Interest	\$ 30	\$ 30	\$ -	\$( 30)
<b>Expenditures:</b>				
Public Works -	<u>-</u>	<u>-</u>	<u>3,557</u>	<u>( 3,557)</u>
Excess of revenues over (under) expenditures	<u>30</u>	<u>30</u>	<u>( 3,557)</u>	<u>( 3,587)</u>
<b>Other Financing Sources:</b>				
Transfer in -	<u>-</u>	<u>-</u>	<u>9,740</u>	<u>9,740</u>
Excess of revenues and other sources over expenditures	30	30	6,183	6,153
Deficit Balance at beginning of year	<u>( 6,740)</u>	<u>( 6,740)</u>	<u>( 6,740)</u>	<u>-</u>
Deficit Balance at end of year	<u><u>\$( 6,710)</u></u>	<u><u>\$( 6,710)</u></u>	<u><u>\$( 557)</u></u>	<u><u>\$ 6,153</u></u>

Continued

# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>POLICE CAPITAL</b>				
<b>Revenues:</b>				
Interest	\$ -	\$ -	\$ 3	\$ 3
Fees	-	-	25	25
	<u>-</u>	<u>-</u>	<u>28</u>	<u>28</u>
<b>Expenditures:</b>				
Public Safety -	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Excess of revenues under expenditures	<u>( 100)</u>	<u>( 100)</u>	<u>28</u>	<u>( 72)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer in -	4,200	4,200	5,560	1,360
Transfer out -	<u>( 4,151)</u>	<u>( 4,151)</u>	<u>( 2,075)</u>	<u>2,076</u>
	<u>49</u>	<u>49</u>	<u>3,485</u>	<u>3,436</u>
Excess of revenues and other sources over expenditures and other uses	<u>( 51)</u>	<u>( 51)</u>	<u>3,513</u>	<u>3,364</u>
Fund Balance at beginning of year	<u>( 1,283)</u>	<u>( 1,283)</u>	<u>( 1,283)</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ ( 1,334)</u></u>	<u><u>\$ ( 1,334)</u></u>	<u><u>\$ 2,230</u></u>	<u><u>\$ 3,364</u></u>

### MUNICIPAL SERVICE BUILDING

<b>Revenues:</b>				
Rental collections	\$ 3,600	\$ 3,600	\$ 4,245	\$ 645
Utility reimbursements	1,000	1,000	-	( 1,000)
Interest	100	100	3	( 97)
	<u>4,700</u>	<u>4,700</u>	<u>4,248</u>	<u>( 452)</u>
<b>Expenditures:</b>				
General Government	<u>4,095</u>	<u>4,095</u>	<u>2,341</u>	<u>1,754</u>
Excess of revenues over expenditures	<u>605</u>	<u>605</u>	<u>1,907</u>	<u>1,302</u>
<b>Other Financing Uses:</b>				
Transfer out -	<u>-</u>	<u>-</u>	<u>( 320)</u>	<u>( 320)</u>
Excess of revenues over expenditures and other uses	<u>-</u>	<u>-</u>	<u>1,587</u>	<u>982</u>
Fund Balance at beginning of year	<u>( 1,076)</u>	<u>( 1,076)</u>	<u>( 1,076)</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ ( 1,076)</u></u>	<u><u>\$ ( 1,076)</u></u>	<u><u>\$ 511</u></u>	<u><u>\$ 982</u></u>

## **AGENCY FUND**

**VILLAGE OF CARSONVILLE, MICHIGAN**

**BALANCE SHEET  
TAX RECEIVING AGENCY FUND  
FEBRUARY 28, 2005**

**ASSETS**

Cash	\$ -
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**LIABILITIES**

Due to other funds	\$ -
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**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2005**

	Balance March 1, 2004	Additions	Reductions	Balance February 29, 2005
<b>TAX COLLECTION FUND</b>				
<b>Assets:</b>				
Cash and Cash equivalents	\$ 1,593	\$ 3,263	\$ 4,856	\$ -
<b>Liabilities:</b>				
Due to other funds	\$ 1,593	\$ 449	\$ 2,042	\$ -



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the President and Members  
of the Village Council  
Village of Carsonville  
Carsonville, Michigan

We have audited the financial statements of the Village of Carsonville, Michigan, as of and for the year ended February 28, 2005, and have issued our report thereon, dated July 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village of Carsonville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Carsonville, Michigan's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described as follows:

**Controls over utility billing.**

During the audit we noted a lack of segregation of duties in the utility billings system. Currently the same person handles the billings to customers, adjustments to customer accounts, and collection of the payments by customers. While no irregularities were noted, a lack of segregation between these functions predisposes the Village to unnecessary risks. We understand that segregation of duties is difficult in a smaller office, however, we recommend that the billing and receipting functions be separated.

**Controls over special assessments.**

During the audit, it was difficult to determine the status of the sewer special assessments receivable because the individual ledger cards were not always current due to irregular payments and change in property owners. We recommend that the individual ledger cards be maintained by lot number and payments posted on the month received.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable conditions described above are material weaknesses.

We also noted other matters involving internal control over financial reporting, which we have reported to management of the Village of Carsonville in a separate letter dated July 25, 2005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Carsonville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also noted certain compliance matters that we reported to management of the Village of Carsonville in a separate letter dated July 25, 2005.

This report is intended for the information of management and the Village Council of the Village of Carsonville, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

July 25, 2005